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♦ Also admitted in Washington
▲ Also admitted in Massachusetts

February 24, 2012

**RE: Butte Mine Flooding Consent Decree – MRI Future Remediation Claim Escrow
Annual Report**

Dear Parties:

This Annual Report is made on behalf of Montana Resources, Inc. ("MRI") to conform to the Order entered by the United States Bankruptcy Court for the Southern District of Texas, Case No. 05-21207, In re: ASARCO LLC, et al. (Debtors) on December 27, 2007. The Order approved the Partial Settlement Agreement Regarding The Silver Bow Creek/Butte Superfund Site and Butte Mine filed on December 3, 2007 ("Settlement Agreement"). By Order dated April 17, 2008 the United States District Court for the District of Montana also approved the Settlement Agreement. On December 9, 2009, MRI received a distribution on the MRI Future Remediation Claim. In January 2010, MRI established an escrow account at First Interstate Bank, 101 E. Front Street, Missoula, Montana 59802, for the sole purpose of investing and distributing proceeds of payments received on the MRI Future Remediation Claim. The escrow account has identification #7269947 ("Escrow Account").

In accord with the Settlement Agreement, MRI reports the following for the year 2011:

1. The Escrow balance at January 1, 2011 was Eight Million One Hundred Fourteen Thousand Seven Hundred Forty One Dollars and Fifty Nine Cents (\$8,114,741.59).
2. One Million One Hundred Eighty Four Thousand Three Hundred Ninety Four Dollars and Thirty Eight Cents (\$1,184,394.38) was paid to Montana Resources, LLP, (the "Partnership") for the Partnership's cost of Work (as that term is defined in the Butte Mine Flooding Operable Unit Consent Decree which was entered on August 14, 2002) performed during the time period of July 1, 2010 to July 31, 2011.

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3. MRI reports that the Partnership's Work for which it requested and received reimbursement was diversion and treatment of Horseshoe Bend water and water fowl mitigation activities conducted pursuant to the terms of the BMFOU CD. During the reporting time period approximately 1,962,945,411 gallons of Horseshoe Bend water was diverted and treated. Water diversion and treatment costs include costs to operate, maintain, and improve the water treatment plant to treat approximately 5 million gallons per day of the Horseshoe Bend water. Lime delivered to and used at the water treatment plant is the single largest water treatment cost and represents 63% of total costs. Other significant expenses include lime freight, power and labor, which represent 9%, 9%, and 6%, respectively, of total costs.

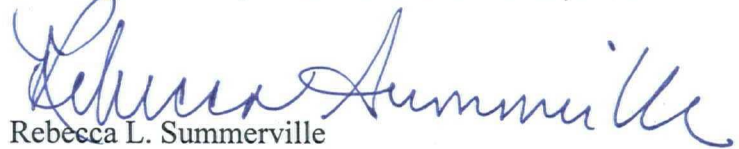
4. Interest earned on the funds held in the Escrow Account was Forty Six Thousand Six Hundred Forty Nine Dollars and Fifty Eight Cents (\$46,649.58).

5. The Escrow Account balance at December 31, 2011 was Six Million Nine Hundred Seventy Six Thousand Nine Hundred Ninety Six Dollars and Seventy Nine Cents (\$6,976,996.79).

Please contact me if you have any questions concerning this Annual Report.

Very truly yours,

DATSOPOULOS, MacDONALD & LIND, P.C.



Rebecca L. Summerville

RLS/dm

MAILED TO:

United States:

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As to the Settling Federal Agencies:

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